

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 AGR-05 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01

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FOR EB FOR DEPUTY ASS'T SEC. KATZ AND EB/ICD E.A. WENDT

E.O. 11652: N/A

TAGS: ETRD, EAGR, UNCTAD

SUBJ: COCOA NEGOTIATIONS: DEBATE ON U.S. AMENDMENTS

REF: GENEVA 7583

1. SUMMARY. ECONOMIC WORKING GROUP HELD GENERAL DISCUSSION OF US AMENDMENTS TO NEW COCOA AGREEMENT ON TUESDAY AFTERNOON OCT. 6, US DEL EXPLAINED US EFFORTS TO DEVELOP A GOOD USG PROPOSAL WHICH WOULD EFFECTIVELY STABILIZE PRICES, WHICH WOULD PROVIDE UPSIDE PROTECTION IN THE MARKET FOR CONSUMERS, WHICH WOULD BE LESS COMPLEX THAN PRESENT AGREEMENT, AND WHICH COULD PRODUCE AN AGREEMENT WHICH WE COULD CONSIDER JOINING. PRODUCERS AND CONSUMERS SPOKE IN FAVOR OF US AMENDMENTS BUT SOME EXPRESSED CONCERN OVER TIMING WITH CONFERENCE INTO THIRD WEEK. CHAIRMAN (MADDEN) OFFERED 3 OPTIONS: (A) ACCEPTANCE OF US AMENDMENTS; (B) REJECTION OF US AMENDMENTS; OR (C) INTRODUCTION AND ADAPTATION OF US AMENDMENTS AS PART OF ATTEMPT TO IMPROVE CURRENT AGREEMENT, USING CURRENT AGREEMENT AS STARTING POINT.

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CONSENSUS QUICKLY DEVELOPED AROUND THIRD OPTION,

WITH US AGREEING IN LIGHT OF VIRTUAL UNANIMITY OF WORKING GROUP, TO PROCEDURE OF CHAIRMAN DRAFTING UP A WORKING DOCUMENT REVIEWING ARTICLES 26, 31, 34, 39 AND 40 IN LIGHT OF US SUGGESTIONS AND VIEWS EXPRESSED BY OTHERS. IN LIGHT OF THIS DOCUMENT, WORKING GROUP WILL THEN CONSIDER HOW BEST TO RECONCILE THE US AMENDMENTS WITH THE AGREEMENT. END SUMMARY.

2. US DEL MADE GNERAL STATEMNT TO EFFECT THAT US APPROACH TO COMMODITY ARRANGEMENTS IS CASE BY CASE WITH EACH BEING CONSIDERED ON ITS OWN MERITS. HE STATED THAT AFTER CAREFUL ANALYSIS OF ALL RELEVANT FACTORS WE HAD CONCLUDED OUR AMENDMENTS WOULD PROVIDE MOST SUITABLE ARRANGEMENT FOR COCOA; THAT OUR PROPOSALIS SERIOUS; MADE IN GOOD FAITH; AND ONE WHICH WE FEEL WOULD OFFER THE BEST POSSIBILITY OF US PARTICIPATION. IT COULD EFFECTIVELY STABILIZE PRODUCER EXPORT EARNINGS, AND ON TH UPSIDE COULD PROTECT CONSUMERS AND IMPORTING INDUSTRIES WITH A MINIMUM OF INTERFERENCE. HE GRANTED THAT TIME IS LIMITED, AND ALTHOUGH SOME PEOPLE MAY BE STUNNED BY THE NUMBER OF DELETIONS PROPOSED, WE FEEL OUR AMENDMENTS WOULD MAKE A LESS COMPLEX, AND EMINENTLY MOR WORKABLE COCOA AGREEMENT.

3. THE CAMEROONS (Y. DAOUDA - MINISTER OF ECONOMY), SPEAKING FOR ALL PRODUCERS, STATED THE US AMENDMNTS CAN AND SHOULD BE EXAMINED CAREFULLY IN FRAMEWORK OF ECONOMIC WORKING GROUP. IVORY COAST MINISTER OF AGRICULTURE SAWADOGO SAID HE WOULD GO EVEN FURTHER IN THAT HE WAS SURE US SINCERELY WANTS TO MAKE AN EFFORT TO BE A PART OF THE NEXT COCOA AGREEMENT. SAWADOGO SAID THE US AMENDMENTS WOULD HAVE BEEN GREAT 6 MONTHS AGO, BUT STILL COULD OFFER A GOOD BASIS TO CONSIDER IMPROVEMENTS FOR OPERATION OF SECOND AGREEMENT WHETHER THE US JOINS OR NOT.

4. THE EC SPOKESMAN AGREED THAT THE FUNDAMENTAL PURPOSE OF THE US IDEAS WAS TO STRENGTHN THE AGREEMENT, AND THAT MERITS OF US IDEAS INCLUDE SIMPLICITY AND FLEXIBILITY, PARTICULARLY WITH REGARD TO POWERS WHICH WOULD BE GIVEN LIMITED OFFICIAL USE

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TO THE COUNCIL. CLOSED BY REQUESTING A COMBINATION OF THE BEST THINGS OF BOTH APPROACHES.

5. BRAZIL (RAFFAELLI) SAID HE ENVISAGD THE PROPOSAL AS SINCERE AND POSITIVE AND SUGGESTED ECONOMIC COMMITTEE ATTEMPT TO MARRY THE TWO CONCEPTS.

6. ONLY THE USSR AND CANADA SPOKE OUT AGAINST MAJOR

CHANGE, BUT CLEAR CONSENSUS DEVELOPED FAVORING PROPOSAL
BY CHAIRMAN MADDEN, WHO UNDERTOOK TO DRAFT FIRST
ATTEMPT TO "MARRY" US AMENDMENTS TO OLD AGREEMENT.
MADDEN MENTIONED TWO KEY ELEMENTS IN HIS DRAFT WOULD
BE THE NEED TO MODIFY QUOTA PROVISIONS TO PERMIT
THE COUNCIL TO SUSPEND QUOTAS OR OPERATE THEM OTHER
THAN AUTOMATICALLY AND THE POSSIBILITY OF ALLOWING
THE BUFFER STOCK MANAGER TO OPERATE IN TH OPEN
MARKET.

7. US WELCOMED MADDEN'S OFFER AND PROMISED THAT WE
WOULD BE FRANK AND CONSTRUCTIVE IN OUR COMMENTS ON IT.
MADDEN WILL PRESENT HIS DRAFT TO WORKING GROUP AFTERNOON
OF OCT. 8.DALE

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